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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday May 24, 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Tuesday, May 24, 1977

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The NID Cable is for the purpose of informing senior US officials.

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USSR: New Draft Constitution

A Constitutional Commission chaired by General Secretary Brezhnev announced yesterday that a new draft constitution has been approved. The new constitution is intended to replace the 1936 "Stalin Constitution" and represents an

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important element in Brezhnev's efforts to secure his own place in Soviet history. The degree to which he has succeeded cannot be judged, however, until the draft has been published and its reception evaluated.

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According to the announcement, the draft is to be the subject of an "all-people's discussion." Preliminary discussions could well begin at the USSR Supreme Soviet session scheduled for mid-June.

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The project has had a long and troubled history involving intense political controversy.

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One of the many issues was the degree to which the role of the Communist Party should be delineated. The present constitution makes only two references to the party; it is to act as the guiding force of all social organizations, and it is to nominate all candidates for office. Some of the drafters reportedly wanted the duties and role of the party spelled out more precisely. Others wanted them left purposely vague, fearful that greater precision could be used to restrict the party's powers.

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Another issue reportedly involved a different approach to a "bill of rights," apparently revolving around opposing concepts of "constitutional law." Some Soviets evidently believe that the document should give some consideration to the rights of the individual, while others believe that it should retain emphasis on the power of the state.

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Other broad themes have emerged in discussions in journals and the press. One is the conflict, troublesome to planners and managers, between the political-administrative boundaries of republics, krays and oblasts, and the economic regions that cut across these boundaries. Another is the proper role of the Soviets--the legislatures--especially at the republic and local levels, toward the industries that are located in their territories but are responsible to central ministries in Moscow.

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First proposed by Khrushchev in 1959, the draft constitution under his influence apparently had an anti-Stalin and relatively revisionist cast. Most if not all of that version was scrapped when Khrushchev was ousted in 1964, but the project itself had attained enough momentum to survive under Brezhnev's chairmanship.

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25X1 [] In June 1966, Brezhnev indicated that the new draft would be ready to "crown the majestic half-centennial road of our country," a formulation that could have applied either to the 50th anniversary of the October Revolution in 1967, or the 50th anniversary of the USSR in 1972.

25X1 [] In his report in 1972 to a joint session of the party Central Committee and the Supreme Soviets of the USSR and the Russian Republic, Brezhnev again promised the new draft, this time to be ready before the 25th party congress. In his speech, as broadcast, he referred to approval by "a nation-wide referendum." This phrase was deleted from the published version of his speech the following day, indicating that even this aspect of the draft was then in debate.

25X1 [] Other speeches that month, including one by President Podgorny, and an article by then-Politburo member and deputy premier Polyansky, contained evidence that nationalist emotions were being aroused by the possibility that the new constitution might provide for territorial-economic administration instead of the established political-administrative boundaries.

25X1 [] In his speech to the 25th party congress last year, Brezhnev explained defensively that work on the draft constitution "is being carried out carefully, without haste, so as to weigh as exactly as possible every problem that arises and then put forward the draft for an all-people's discussion."

25X1 [] We have no information at present on the final decisions on the controversial elements of the new draft. In the event, they may have been papered over, as other controversies have been under Brezhnev's leadership.

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25X1 CHINA: Resumption of Merchant Ship Purchases

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[] China's international merchant fleet grew rapidly between 1972 and 1975. During this period the country acquired over 3 million dead weight tons at a cost of nearly \$1 billion. Purchases included the fleet's first tankers and bulk carriers, amounting to around 2 million dead weight tons.

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[] Peking expanded its international fleet in order to carry a greater share of its foreign trade and to cut chartering costs. Before 1972, the fleet carried about one tenth of China's total trade, but by 1976 it was moving over half of the total. As the fleet has expanded, however, severe shortages of skilled officers and crews have developed.

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[] China is still a major figure in the world chartering market, despite some cutbacks in recent years because of a shortage of foreign exchange. In 1974, China's chartering costs exceeded \$500 million--7 percent of its import bill that year. The fleet's recent growth and change in composition has allowed Chinese ships to carry cargoes, particularly petroleum and bulk products, previously carried on chartered ships.

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CHINA: Oil Search

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[] The two newest areas of oil exploration in China are the Ordos Basin and the south coast. The Ordos Basin is one of the three in north and northeast China that are expected

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to provide the bulk of China's oil over the next decade or two. It is geologically promising, having already yielded five small but growing fields, and is located close to major industrial centers.

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[redacted] The activity along the southern coast, in contrast, probably was undertaken only because of south China's nearly total dependence on oil from outside the region. Surveys of the sea on both sides of the Lei-chou Peninsula and around Hainan by ships and possibly by aircraft were accelerated in 1975 when a geophysical survey ship, equipped with satellite navigation gear and said to be the most sophisticated of its type in China, went to work southwest of Hainan.

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[redacted] The commitment of much of the Chinese oil industry's scarce financial and technological resources to south China suggests that the surveys turned up reasonable prospects for oil. Some oil may already have been found onshore at San-shui near Canton, where a crude oil refinery and an associated petrochemical plant are well along in construction.

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[redacted] South China uses perhaps 20 percent of the nation's crude oil output, or about 15 million tons a year. Most of it comes from the Sheng-li oilfield. Supplementary supplies were imported from Iraq, Iran, and Algeria beginning in 1974. The imports peaked in 1975 at about 1.5 million tons, which cost some \$150 million. Since then they have gradually declined, and they stopped altogether after June 1976.

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